Washington April 30, 1937

A REVIEW OF BUSINESS CONDITIONS
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Agricultural-Industrial Relations Section

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National Income

Total national income for the first quarter of 1937 is estimated to have been $16,480,000,000 as compared with $14,706,000,000 for the corresponding quarter of 1936--a gain of 12 percent. Maintenance of this percentage gain for the year would bring national income to approximately $70,400,000,000--still 12 percent under 1929. However, the annual rate of national income for the first quarter was only $65,900,000,000.

The chances of the first quarter percentage gain continuing for the entire year are not good. In the first place, the comparison is with the poorest period of 1936 when industrial production was reacting. Future gains in production from the higher level now attained (118 Federal Reserve Board in March 1937 and 93 last March) will not be as rapid as the rise of 30 percent from March to December of 1936. Also, the increase in Government payments to farmers will not continue to exceed those of 1936 by such a margin as they have thus far in 1937. Such payments were insignificant during the first quarter of 1936 because of the Supreme Court decision invalidating the Agricultural Adjustment Administration, which was handed down early in January. Furthermore, prices received by farmers are not expected to hold at first quarter levels unless new crop prospects become exceedingly poor.

The 65.9 billion dollar annual rate of national income for the first quarter of 1937 was only 5 percent above the national income of 1936. That this amount will be exceeded is practically certain. The carryover effect on income of the expansion in industrial production which has already occurred assures some further gain. Settlement of the major labor disputes should permit reflection of the numerous wage advances of the past 6 months in the nation's wage income. Also the extra dividend disbursements incident to the penalty tax can be expected to again augment the regular flow of income later in the year as it did in 1936. In short, national income for 1937 may be expected to fall within the range of the two figures mentioned--that is, in round numbers, between 66 and 70 billion dollars, or 5 to 12 percent above that of 1936. Should income reach 68 billion dollars (midpoint of this range) this would still be 12 billion dollars below the 1929 income. Reduced to a per capita basis, this would mean about $530 in 1937 as compared with $660 in 1929. After adjustment for a 15 percent decline in living costs this would mean real income per capita 94 percent as great as that in 1929.

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The chances of the first quarter percentage gain continuing for the entire year are not good. In the first place, the comparison is with the poorest period of 1936 when industrial production was recedding. Future gains in production from the higher level now attained (118 Federal Reserve Board in March 1937 and 93 last March) will not be as rapid as the rise of 30 percent from March to December of 1936. Also, the increase in Government payments to farmers will not continue to exceed those of 1936 by such a margin as they have thus far in 1937. Such payments were insignificant during the first quarter of 1936 because of the Supreme Court decision invalidating the Agricultural Adjustment Administration, which was handed down early in January. Furthermore, prices received by farmers are not expected to hold at first quarter levels unless new crop prospects become exceedingly poor.

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Non-Agricultural Income

The expansion in non-agricultural income which was resumed in February (the drop from December to January was due to heavy year-end corporate dividend disbursements) continued in March. March income was 89.5 percent of the 1924-9 average as compared with 88.8 percent in February. The month-to-month gain was about the same as the increase in living costs. Real income per capita was 95.7 percent of the 1924-9 average as compared with 95.8 percent in February and 89.9 percent in March of last year. The year-to-year gain in real per capita income amounts to 6.5 percent.

With the most serious of the immediate labor troubles settled and with industrial production continuing to expand, further gains in non-agricultural income are in immediate prospect. Wage rates have been lifted in many industries within the past 6 months and corporate profits to date in 1937 are exceeding those of 1936 by some 32 to 56 percent (Standard Statistics and New York Sun first quarter compilations respectively). Thus both higher wage payments and increased dividends can be expected to contribute toward further gains in non-agricultural income.

Farm Income

Gross cash farm income was up 28 percent in the first quarter of 1937 as compared with the initial quarter of 1936. The gain of $443,000,000 for the period was divided 43 and 57 percent respectively as between increased Government payments and higher income from sales.

The 15.6 percent increase in sales income was due entirely to higher prices. Marketings, according to the Department of Commerce index, were 2.1 percent lower than during the first quarter of 1936 but prices received by farmers, weighted according to the monthly index of marketings, averaged 19 percent higher.

Farm prices advanced further in April and were 24 percent higher than a year ago. Marketings of farm products also held up well so that a substantial year-to-year gain in income was, no doubt, still in evidence during April. As the old crop year draws to a close it is logical to expect marketings from the short crops of 1936 to recede relative to marketings a year earlier. This and the apparent passing of the immediate peak in prices suggests smaller gains in farm income in months ahead.

Industrial Production

Industrial production, as measured by the seasonally corrected Federal Reserve Board index, averaged 116 percent of the 1923-5 average during the first quarter of 1937. This represents a one point advance

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With the most serious of the immediate labor troubles settled and with industrial production continuing to expand, further gains in non-agricultural income are in immediate prospect. Wage rates have been lifted in many industries within the past 8 months and corporate profits to date in 1937 are exceeding those of 1936 by some 32 to 86 percent (Standard Statistics and New York Sun first quarter compilations respectively). Thus both higher wage payments and increased dividends can be expected to contribute toward further gains in non-agricultural income.

Farm Income

Gross cash farm income was up 28 percent in the first quarter of 1937 as compared with the initial quarter of 1936. The gain of $445,000,000 for the period was divided 45 and 57 percent respectively as between increased Government payments and higher income from sales.

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Industrial Production

Industrial production, as measured by the seasonally corrected Federal Reserve Board index, averaged 116 percent of the 1923-5 average during the first quarter of 1937. This represents a one point advance

from the average of the December quarter of 1936--the previous high quarter of the current recovery--and completes a full year in which the production index has held above 100. The index averaged 110 for the 12 months ending with March 1937--more than 20 percent in excess of the average for the 12 months immediately preceding.

Weekly indexes of business activity and of production up to April 17 suggest some further increase in the Federal Reserve Board index for April. The March index of 118 was still below the December 1936 peak of 121. Several occurrences of recent weeks suggest the probability of an impending relapse in production later in 1937. Steel buying, which had been at a feverish pitch, has subsided. Orders are now well below those a year earlier, according to trade reports, and delayed deliveries are being requested on some of the orders previously placed. Cotton mills have been able to reduce orders on their books considerably since mid-March. Prices of commodities have weakened somewhat following the sharp gains recorded from October 1936 through March 1937. Stock prices are undergoing the first reaction of consequence in 4 years. Any of these developments would be a signal of caution; together they may be regarded as a warning. It is too early to judge the real significance of this expected relapse in production. It may be another of the short reactions which, up to a year ago, were common to the current recovery period; but there is the possibility of a more pronounced and prolonged recession similar to those of 1924 and 1927 which interrupted the recovery of the 1920's.

A chart which is attached traces the course of industrial production and of real estate activity, both adjusted for trend, from 1870 to date. It will be observed that industrial production, according to this chart, has been approximately at the estimated normal (slightly above) for the past half-year and that real estate activity is still below normal.

Development of the next boom in real estate, assuming that it follows the course visualized by the Real Estate Analyst, Inc. (see attached chart), and the usual cyclical relationship of industrial production and real estate activity permit some rough interpretations as to the probable course to be followed by industrial production over the next 5 to 7 years. From 1850 to date--except for the 1916-18 world war period and that of large railroad construction in the 1880's -- booms in industrial production have always been associated with booms in real estate. Except for the two periods mentioned, production has never exceeded normal by any substantial margin or for an extended period of time except when accompanied by a real estate boom.

On the basis of these observations, it would appear that recovery in production has gone about as far now as should be expected until real estate activity not only reaches normal but enters a period of rapid expansion. This, according to the predictions of the Real Estate Analyst, Inc., will be about 4 years from now. Past performance suggests

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that if this happens a relapse in business might occur in the interim, after which renewed recovery will be accompanied by pronounced real estate activity. The final peak in industrial production usually follows that in real estate activity. Therefore, assuming development of the next real estate boom as visualized by the Real Estate Analyst, Inc., industrial production should not reach its final peak earlier than 1943. A short period from peak to peak in real estate activity might move the crest in production back about two years.

Should recovery extend through 1943 the improving phase of the cycle would be 11 years as compared with 8 for the 1921-9 period. However, it is not unusual for recovery, interrupted only by minor cycles, to extend over a period of 10 to 15 years. Some such periods include: 1820 to 1836; 1843 to 1853; 1861 to 1872; and 1894 to 1906. The recovery which followed 1908 continued into the world war period reaching a peak in 1916, and as previously stated, recovery from 1921 to 1929 required 8 years. The extreme depth of the latest depression is itself suggestive of a relatively long recovery period if production is to be maintained at or above normal for the 5 to 7 years usually spent around this level in the broad economic cycles.

The Stock Market

Since the buying and selling of stocks is ordinarily based in large measure on the opinion of individuals as to corporate earning prospects, and since many of the principal buyers and sellers have access to the order books of the companies whose stocks they own, (i.e. corporate officers) it is but natural that movements in the stock market often precede similar movements in productive activity. An example of the forecasting significance of the stock market is the reaction early in 1926 (see attached chart) which was followed by a business recession into 1927. Similarly, the 1923 reaction in stocks preceded the 1924 business relapse.

Speculative fever at times (1929) brings so much uninformed public buying into the market that movements for a few months may entirely ignore prospective change in productive activity. However, a relapse in stock prices such as that of recent weeks is ordinarily a warning signal of an impending let-down in business. The similarity of this movement in stock prices to that of 1926 may be seen by reference to the accompanying chart. The preliminary index plotted on this chart for April was probably too high considering price weakness late in the month.

The recent reaction in industrial stocks amounts to 12 percent according to the Dow-Jones industrial averages. But many popular issues have declined by double this amount as is illustrated below:

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The recent recession in industrial stocks amounts to 12 percent according to the Dow-Jones industrial average. But many popular issues have declined by double this amount as is illustrated below:

	1937 High	Low Apr. 28	Percent Under High
American Can	121	98	19
American Rolling Mill	45	33	27
Anaconda	70	50	29
Chrysler	135	110	19
General Electric	65	50	23
General Motors	79	56	29
Montgomery Ward	69	52	25
Sears Roebuck	95	84	12
U. S. Rubber	72	53	26
U. S. Steel	127	101	20

This is the first reaction of consequence in stock prices since the present recovery got definitely underway in early 1933. Taken together with some relapse in commodity prices and a slowing up in buying in the textile and steel industries, this is suggestive of an early top, probably temporary, to the current expansion in industrial production.

Construction

Construction contracts awarded during the first quarter of 1937 exceeded the corresponding month of 1936 by 19.5 percent, according to F. W. Dodge. Should contracts for the last half of April only duplicate those of the first half, the year-to-year gain for 4 months of 1937 would be reduced to 14.6 percent.

Doubling the dollar amount of contracts awarded during the first 15 days of April and comparing with April 1936 gives the following changes:

All types, 3 percent gain
Residential, 56 percent gain
All other, 18 percent loss

The increase in residential for the first quarter amounted to 87 percent while contracts awarded for other types just equaled those of the first quarter of 1936.

It is evident that the gain in construction during 1937 will not be as great as the 45 percent improvement recorded in 1936. This will tend to hold the steel industry, which has recently reached new peaks in output, back somewhat; especially since the types of construction other than residential are lagging. Building was second only to the automobile industry in the amount of steel used in 1936. An offset to the prospective smaller increase in building steel for 1937 is the continued improvement in railroad demand for steel, which gives promise of holding throughout the year, perhaps longer. Railroads were third in the amount of steel used in 1936, but may be second only to automobiles this year.

	1937 High	Low Jan. 28	Percent Under Old
Anderson Corp	121	8	14
Burroughs Adding Mch	49	22	17
Celanese	70	30	29
Chrysler	126	119	14
General Electric	35	30	13
General Motors	77	32	21
Independent Pack	19	11	17
Owens Bottle	85	64	12
U. S. Rubber	75	48	24
U. S. Steel	127	101	20

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Construction

Construction contracts awarded during the first quarter of 1937 exceeded the corresponding total of 1936 by 14.1 percent, according to F. W. Dodge. Public contracts for the last half of April only duplicate those of the first half, the year-to-year gain for 4 months of 1937 would be reduced to 14.4 percent.

Building the dollar amount of contracts awarded during the first 15 days of April and comparing with April 1936 give the following changes:

All types, 4 percent gain
Residential, 22 percent gain
All other, 15 percent loss

The increase in residential for the first quarter amounted to 27 percent while contracts awarded for other types just equal those of the first quarter of 1936.

It is evident that the gain in construction during 1937 will not be as great as the 46 percent improvement recorded in 1936. This will need to hold the steel industry, which has recently received new gains in orders, and accordingly especially since the type of construction other than residential are lagging. Building was heavy only in the automobile industry in the amount of steel used in 1936. In order to the automobile unsolicited increase in building steel for 1937 is the conditional improvement in railroad demand for steel, which gives promise of adding substantially this year, perhaps longer. Railroads were third in the amount of steel used in 1936, but may be second only to automobiles this year.

The Railroads as a Recovery Factor

The first profits of consequence since 1931 were reported by the transportation industry in 1936. Monthly reports show that Class I railroads earned about $178,000,000 in 1936 as compared with only $7,500,000 in 1935. Deficits aggregated $261,000,000 during the three years 1932 to 1934. Income for 1936 was still pretty small compared with that reported for the year 1929 and 1930 when net profits of the Class I roads amounted to 897 and 524 million dollars respectively.

Railway Operating Results
(Million Dollars)

	Oper. Revenues & Income, Class I Roads			Railway Net Profits	
	Opr. Rev.	Net Opr. Rev.	Net Ry. Opr. Income	Class I Roads (Includes Duplications)	All Roads (Excludes Duplications)
1929	6,278	1,773	1,252	897	861
1930	5,280	1,350	869	524	465
1931	4,187	965	526	135	75
1932	3,125	723	326	139(d)	164(d)
1933	3,094	846	474	5.8(d)	13(d)
1934	3,270	833	463	17(d)	20(d)
1935	3,451	859	500	7.5	11
1936	4,053	1,121	667	178(e)	No report
First two months:					
1936	599	132	69	20(d)	
1937	654	156	76	10(d)	

(d) Deficit
(e) Estimated on basis of monthly Interstate Commerce Commission reports, the content of which differ somewhat from the content of the annual report.

Operating results at the start of 1937 show continued improvement. Net railway operating income totaled 76 million dollars in January and February 1937--a gain of 10 percent over the 69 million for the corresponding period a year earlier. Despite elimination of emergency freight rates, net deficit after fixed charges and expenses amounting to $10,325,000 was only 53 percent as great for the two months as the $19,588,000 deficit reported in 1936.

The recent improvement in railway operating results has been accompanied by substantial increases in purchase of equipment and rails

The Railroads as a Recovery Factor

The first profits of consequence since 1931 were reported by the transportation industry in 1936. Monthly reports show that Class I railroads earned about $177,000,000 in 1936 as compared with only $7,000,000 in 1935. Deficits aggregated $141,000,000 during the three years 1932 to 1934. Income for 1934 was still pretty small compared with that reported for the year 1929 and 1930 when net profits of the Class I roads amounted to $97 and $69 million dollars respectively.

Railway Operating Results
(Million Dollars)

	Oper. Income & Income, Class I Roads				Railway Net Profits	
	Oper. Rev.	Net Oper. Rev.	Net Oper. Oper. Income		Class I Roads (Include Duplications)	All Roads (Exclude Duplications)
1929	5,219	1,773	1,292		97	91
1930	5,203	1,480	989		484	446
1931	4,127	905	526		136	75
1932	3,135	722	324		124(d)	144(d)
1933	3,364	846	474		5.8(d)	13(d)
1934	3,377	885	465		17(d)	20(d)
1935	3,441	859	500		7.6	11
1936	4,063	1,121	667		178(e)	No report
First two months:						
1936	389	137	68		20(d)	
1937	444	156	76.		10(d)	

(d) Deficit
(e) Estimated on basis of monthly Interstate Commerce Commission reports, the content of which differ somewhat from the content of the annual report.

Operating results at the start of 1937 show continued improvement. Net railway operating income totaled 76 million dollars in January and February 1937--a gain of 11 percent over the 68 million for the corresponding period a year earlier. Despite elimination of emergency freight rates, net deficit after fixed charges and expenses amounting to $18,124,000 was only 62 percent as great for the two months as the $29,000,000 deficit reported in 1936.

The recent improvement in railway operating results has been accompanied by substantial increase in purchase of equipment and rails

as well as in maintenance expenditures. Equipment buying turned sharply upward late in 1935 and has continued to expand until unfilled orders for 44,708 freight cars reported for March of this year were the heaviest in 11 years, since February 1926. Unfilled orders in March 1936 amounted to 13,478 while two years ago there were only 694 freight cars on order.

The following tabulation gives a picture of the 1929 to 1933 decline and of the current recovery in railway purchases of rolling stock and of steel rails.

Railway Equipment Order and Rail Production

	New Orders - Number			Track Work Steel Shipments (000 short tons)	Steel Rail Production (000 long tons)	Expenditures by Class I Roads for:	
	Freight Cars	Passenger Cars	Locomotives			Equipment and Roadway (Million)	Maintenance (Million)
1929	111,218	2,303	1,212	162	2,722	$ 854	$ 2,058
1930	46,360	667	440	110	1,872	873	1,814
1931	10,880	11	235	61	1,158	362	1,348
1932	1,968	39	12	27	403	167	970
1933	1,685	6	42	31	416	104	921
1934	24,611	388	183	49	1,010	213	1,003
1935	18,699	91	87	42	712	188	1,076
1936	67,544	307	553	68	1,220	299	1,238
1st quarter:							
1936	8,913	37	73	14	-----	---	-----
1937	27,613	386	108	26	-----	---	-----

Despite the resumption of large scale equipment buying by the railroads, surplus of freight cars is getting dangerously low. There has been no car shortage of consequence since that of the 1922-1923 period (see attached chart) but reported surpluses have persistently declined from a monthly average of about 700,000 in 1932 to 113,000 in February and March of this year. Ordinarily, freight car surplus is lowest (or shortage greatest) in September and October. This is the period of heavy farm marketings and is also the season when industrial production usually reaches its fall peak.

During the 1924-9 period an average of 30 percent of the year's farm marketings and 17 percent of industrial production fell in the two months September and October. During this same period, 1924-29, the freight car surplus averaged 166,000 cars less in September and

as well as in maintenance expenditures. Equipment buying turned sharply upward late in 1936 and was continued to expand until unfilled orders for 46,700 freight cars reported for March of this year were the largest in 11 years, since February 1926. Unfilled orders in March 1930 amounted to 12,475 while two years ago there were only 874 freight cars on order.

The following tabulation gives a picture of the 1937 to 1940 section and of the efforts recovery in railway purchases of rolling stock and of steel rails.

Railway Equipment Order and Rail Production

	Car orders - Number				Steel rail production		Expenditures by Class I Roads for:	
	Freight cars	Passenger cars	Locomotives	Total	Total rail production (100 short tons)	Total rail production (100 long tons)	Equipment and machinery (Million)	Maintenance (Million)
1936	111,110	2,305	1,212	182	2,722		$ 854	$ 2,088
1937	44,440	447	640	110	1,772		572	1,414
1931	10,880	11	256	61	1,186		362	1,828
1932	1,988	39	12	27	408		187	970
1933	1,888	6	42	31	418		104	921
1934	24,811	388	183	49	1,010		213	1,008
1935	12,892	31	87	42	732		128	1,076
1936	67,544	307	585	68	1,220		299	1,288
1st quarter:								
1936	8,912	37	72	14	-----		---	-----
1937	27,812	886	108	26	-----		---	-----

Despite the resumption of large scale equipment buying by the railroads, surplus of freight cars is getting dangerously low. There has been no our shortage of consequence since the of the 1930-1933 period (see attached chart) but reported surpluses have correlatively declined from a monthly average of about 700,000 in 1932 to 112,000 in February and March of this year. Incidentally, freight car surplus is lowest (or shortage greatest) in September and October. This is the period of heavy farm marketings and is also the season when industrial production normally reaches its full peak.

During the 1924-3 period an average of 70 percent of the year's farm marketings and 17 percent of industrial production fell in the two months September and October. During this same period, 1924-32, the freight car surplus averaged 124,000 cars less in September and

October than in March. Any such decline in 1937 would necessarily result in serious freight car shortages.

Whether or not shortages will actually occur during the coming fall will depend on several factors; principally the size of the to-market-movement of farm products and the rate of industrial activity, but to some extent on the installation of new equipment during the intervening months.

Since 1930 freight car retirements have greatly exceeded installations with the result that the number of cars in service and their capacity has declined sharply as shown below:

(Class I Roads)

Freight Cars	1930	1931	1932	1933	1934	1935	1936 Ests.
Installed (000)	81	15	9	6	31	19	60
Retired (000)	82	83	69	117	129	122	130
In Service (000)	2,277	2,201	2,145	2,035	1,938	1,835	1,765
Capacity (Mil.Tons)	106	103	101	97	93	89	84

The capacity of cars in service was about 16 percent lower in 1936 than in 1923 (the last year of shortages) and industrial production about 4 percent higher. Of course, the percent of freight carried by trucks has increased since 1923, and 1936 agricultural marketings were 16 percent lower than in 1923. Furthermore, the handling of rolling stock has become much more efficient in the intervening years.

Heavy purchases of rolling stock and recent imposition of rentals by the roads to force early unloading and prevent freight car concentration along the eastern seaboard show that the railway managements are attempting to make the best of what appears to be a dangerous situation.

If serious freight car shortages appear this fall some wide wholesale price movements may be expected as buyers compete for early delivery of goods. Prices of commodities other than farm products and foods rose sharply in the periods preceding the serious car shortages of 1919-20 and of 1922-3 and the slumps which followed were concurrent with reactions in industrial activity.

The railroads are furnishing considerable business for the steel and equipment industries and thus contributing to economic recovery, but if shipping facilities are allowed to become inadequate there will be danger of a building up of speculative inventories and a subsequent slump in industrial production.

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Whether or not shortages will actually occur during the coming fall will depend on several factors, primarily the size of the car-construction of farm products and the rate of industrial activity, but to some extent on the installation of new equipment during the intervening months.

Since 1929 freight car requirements have greatly exceeded installations with the result that the number of cars in service and their capacity has declined sharply as shown below:

(Class I Roads)

Period end	1930	1931	1932	1933	1934	1935	1936 Est.
Installed (000)	81	16	9	8	31	13	80
Retired (000)	82	83	89	117	123	122	120
In service (000)	2,277	2,201	2,142	2,033	1,941	1,858	1,918
Capacity (Mil. Tons)	106	103	101	97	93	89	84

The capacity of cars in service was about 16 percent lower in 1936 than in 1929 (the last year of slowdown) and industrial production about 4 percent higher. Of course, the percent of freight carried by trucks has increased since 1929, and 1936 agricultural marketings were 16 percent lower than in 1929. Furthermore, the handling of rolling stock has become much more efficient in the intervening years.

Heavy purchases of rolling stock and recent improvement of railroads by the roads to have early unloading and prompt freight car operation along the eastern seaboard show that the railway managements are attempting to make the best of what appears to be a dangerous situation.

If existing freight car shortages appear this fall some railroads prior movements may be expected to buy more complete for early delivery of goods. Prices of commodities rather than freight rates and tariffs simply in the period preceding the strikes and shortages of 1919-20 and of 1922-3 and the slump which followed have encouraged risk practices in industrial activity.

The railroads are furnishing considerable business for the steel and equipment industries and thus contributing to economic recovery, but if adequate facilities are allowed to become inadequate there will be danger of a building up of speculative inventories and a subsequent slump in industrial production.

Commodity Prices and Living Costs

Wholesale prices for some groups of commodities--notably metals and grains--have reacted considerably from the peak of the five month general advance from November 1, 1936 to April 5, 1937. The beginning of the reaction followed by only 4 days President Roosevelt's first public warning, of April 2nd, concerning development of unhealthy production and price situations. The New York Journal of Commerce daily wholesale price indexes (December 30, 1933=100) are used below to illustrate the extent of the current reaction and of the preceding advance in prices:

	Nov. 1, 1936	April 5, 1937	April 28, 1937
Composite	142.6	177.6	167.3
Grains	159.7	195.3	186.7
Food	137.0	145.5	146.1
Textiles	109.3	133.0	126.3
Metals	110.8	172.7	150.3

The reaction in prices is, no doubt, an important factor in the recent reduction in forward buying of textiles, steel and non-ferrous metals which was apparently becoming so great as to endanger orderly improvement in business.

Living costs advanced further in March and were up 4.2 percent from a year earlier. The year-to-year gain in food costs amounted to 7.4 percent whereas all other items were 2.7 percent higher. Since food accounts for about one-third of the urban worker's budget, somewhat more than half of the gain in living costs has been due to higher food prices. The rise in living costs from February to March was slightly in excess of the month-to-month gain in per capita non-agricultural income.

The current relapse in wholesale prices together with the probability of more liberal domestic farm marketings later, when 1937 production begins to move, is suggestive of at least a slowing up of the increase in living costs within the next few months.

Wholesale Prices and Living Costs

Wholesale prices for some groups of commodities--notably metals and grains--have reacted considerably from the peak of the first month of the war. Between I, 1939 to April 8, 1940. The beginning of the reaction followed by only a few days Premier Daladier's first public warning, of April 2nd, concerning development of industrial production and price situation. The New York Journal of Commerce daily wholesale price index (December 30, 1926=100) are used below to illustrate the extent of the current reaction and of the preceding advance in prices:

	Nov. 1, 1939	April 8, 1940	April 22, 1940
Vegetable	141.8	177.6	167.4
Grains	159.7	195.3	188.7
Food	137.0	146.5	146.1
Textiles	108.5	133.0	132.8
Metals	110.8	172.7	150.5

The reaction in prices is, no doubt, an important factor in the recent reversion in forward buying of textiles, wheat and non-ferrous metals which was apparently becoming so great as to endanger orderly improvement in business.

Living costs advanced further in March and were up 4.2 percent from a year earlier. The year-to-year gain in food costs amounted to 7.6 percent whereas all other items were 2.7 percent higher. Rises have accounted for about one-third of the urban worker's budget, somewhat more than half of the gain in living costs has been due to higher food prices. The rise in living costs from February to March was slightly in excess of the month-to-month gain in per capita non-agricultural income.

The current relapse in wholesale prices together with the possibility of more direct concern from mid-July later, when 1939 production begins to mature, is suggestive of at least a slowing up of the increase in living costs within the next few months.

BUSINESS INDICATORS

	Key	March 1937(P)	February 1937(r)	March 1936	March 1933	March 1929
Farm Income (with benefits) (1)	a	$ 803	$ 651	$ 589	$ 324	$ 870
Urban Income (with relief) (1)	a	$4,966	$4,926	$4,523	$3,231	$5,887
Industrial Activity F.R.B. (1)	b	118	116	93	59	118
Department Store Sales (1)	c	83	86	76	53	102
Rural Retail Sales (1)	c	101	83	86	38	111
Motor Vehicle Output (Units) (U.S. & Canada)	d	519	384	439	122	626
New Passenger Car Registrations (Units)	d	365(E)	215	301	79	378
Dollar Sales, New Passenger Autos (1)	c	85.0	96.8	70.1	21.2	106.5
Steel Ingot Production (Tons)	d	5,229	4,425	3,343	898	5,068
Building Contracts (Dodge)	a	231	188	199	60	485
Railway Carloadings (2)	d	751	695	605	460	960
Electric Power Production (K.W. Hr.) (2)	a	2,206	2,205	1,881	1,400	1,688
Wholesale Prices, All Commodities	f	128.2	126.1	116.3	87.9	140.3
Wholesale Prices, Farm	f	132.0	128.2	107.3	60.0	150.4
Wholesale Prices, Food	f	135.6	134.8	124.1	84.7	152.4
Wholesale Prices, Non-Agr.	f	127.2	125.2	118.2	94.0	138.2
Prices Paid by Farmers	f	134(6)	132(7)	121(5)	101(4)	154(3)
Prices Rec'd. by Farmers	f	130(6)	128(7)	105(5)	58(4)	144(3)
Urban Cost of Living	b	83.9	83.3	80.5	73.3	98.7
U.S. Unemployment, Trade Unions (A.F. of L.)	c	121(6)	133(7)	184(5)	318(4)	96(3)
U.S. Employment, Mfg. Industries (B.L.S.)	c	96.5	94.6	84.0	58.8	99.4
U. S. Exports	a	256	233	195	108	490
U. S. Imports	a	307	278	199	95	384

(E) Partly estimated.

P - Preliminary
r - Revised
(1) Adjusted for seasonal variation
(2) Weekly average
(3) April 1929
(4) April 1933
(5) April 1936
(6) April 1937
(7) March 1937

KEY:
a - in millions
b - 1923-25=100
c - 1929=100
d - in thousands
f - 1910-14=100

BUSINESS INDICATORS

	Key	March 1927(7)	February 1928	March 1928	March 1929
Pure Income (plus expenses) (1)	a	4 [illegible]	4 [illegible]	4 [illegible]	4 [illegible]
Pulp-wood (1)	a	[illegible]	[illegible]	[illegible]	[illegible]
Industrial Activity					
F.S.R. (1)	b	112	124	82	112
Department Store Sales (1)	c	83	83	72	93	102
Retail Trade Sales (1)	e	121	83	80	93	111
Water Visible Output					
(Cities) (S.E. & Canada)	d	132	394	438	122	424
The Treasury Bill Index-					
Yield (Rate)	d	4.52(7)	122	321	79	874
Interest Rate, Per Cent-					
Per Annum (1)	c	84.0	84.4	70.1	83.4	102.5
Call Loan Interest					
(Rate)	d	5.125	4.425	5.812	[illegible]	5.000
Building Contracts (Index)	e	321	182	124	83	422
Mining Capitalization (1)	d	771	896	430	440	860
Electric Power Production						
(K.W. Hr.) (1)	a	2,756	2,205	1,972	1,470	1,000
Chemical Prices, All						
Commodities	f	130.2	126.1	126.2	77.2	103.5
Chemical Prices, Farm	f	121.1	124.1	127.7	81.1	109.4
Chemical Prices, Food	f	124.1	126.3	124.1	84.7	102.4
Chemical Prices, Non-Agr.	f	127.2	128.2	124.2	84.3	124.2
Prices Paid by Farmers	f	124(2)	127(2)	127(2)	127(4)	124(3)
Prices Rec'd. by Farmers	f	120(2)	123(2)	124(2)	87(4)	144(3)
Urban Rent of Living	b	83.9	82.2	80.8	73.2	88.7
U.S. Commodities, Trade						
Index (A.P. of L.)	c	121(5)	122(7)	184(8)	222(4)	88(3)
U.S. Employment, Etc.						
Industries (A.F.L.)	c	86.2	84.6	84.0	66.2	89.4
U. S. Exports	a	324	232	195	124	480
U. S. Imports	a	327	276	190	94	386

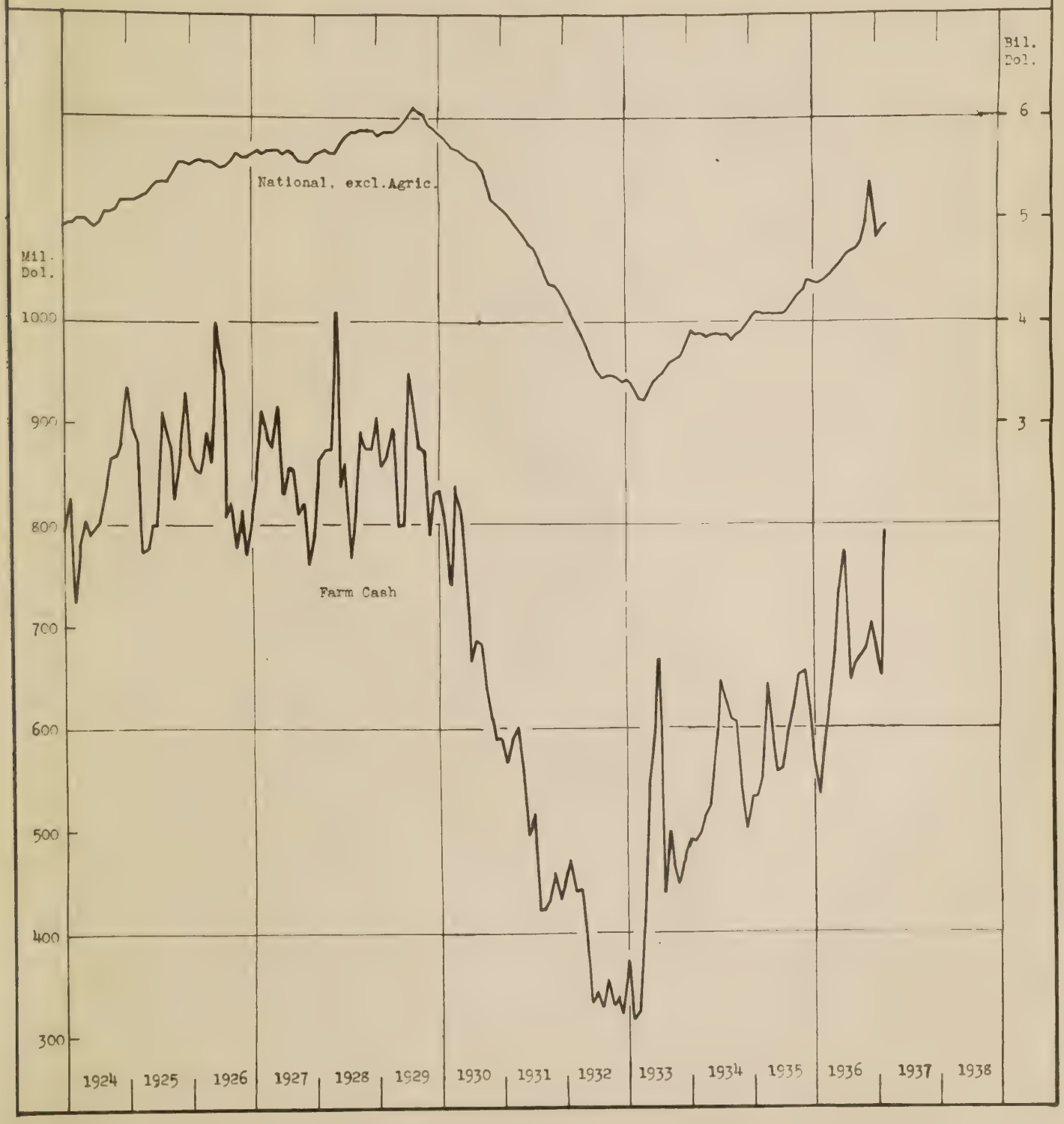
(7) Partly estimated.

KEY:

a - [illegible]
b - 1928-28=100
c - 1928=100
d - [illegible]
f - 1910-14=100

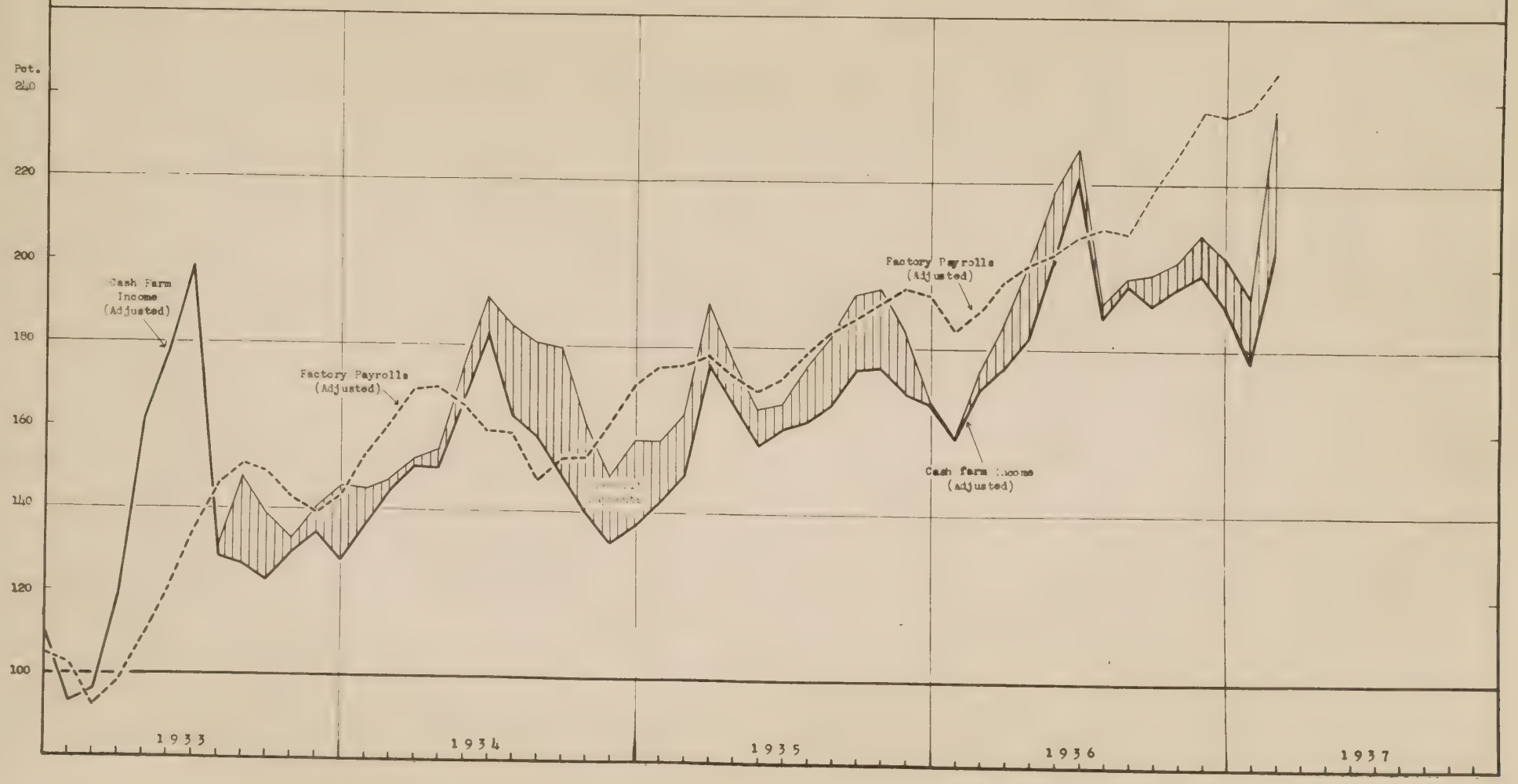
(1) Adjusted for seasonal variation
(2) Monthly average
(3) April 1928
(4) April 1929
(5) April 1926
(6) April 1927
(7) March 1927

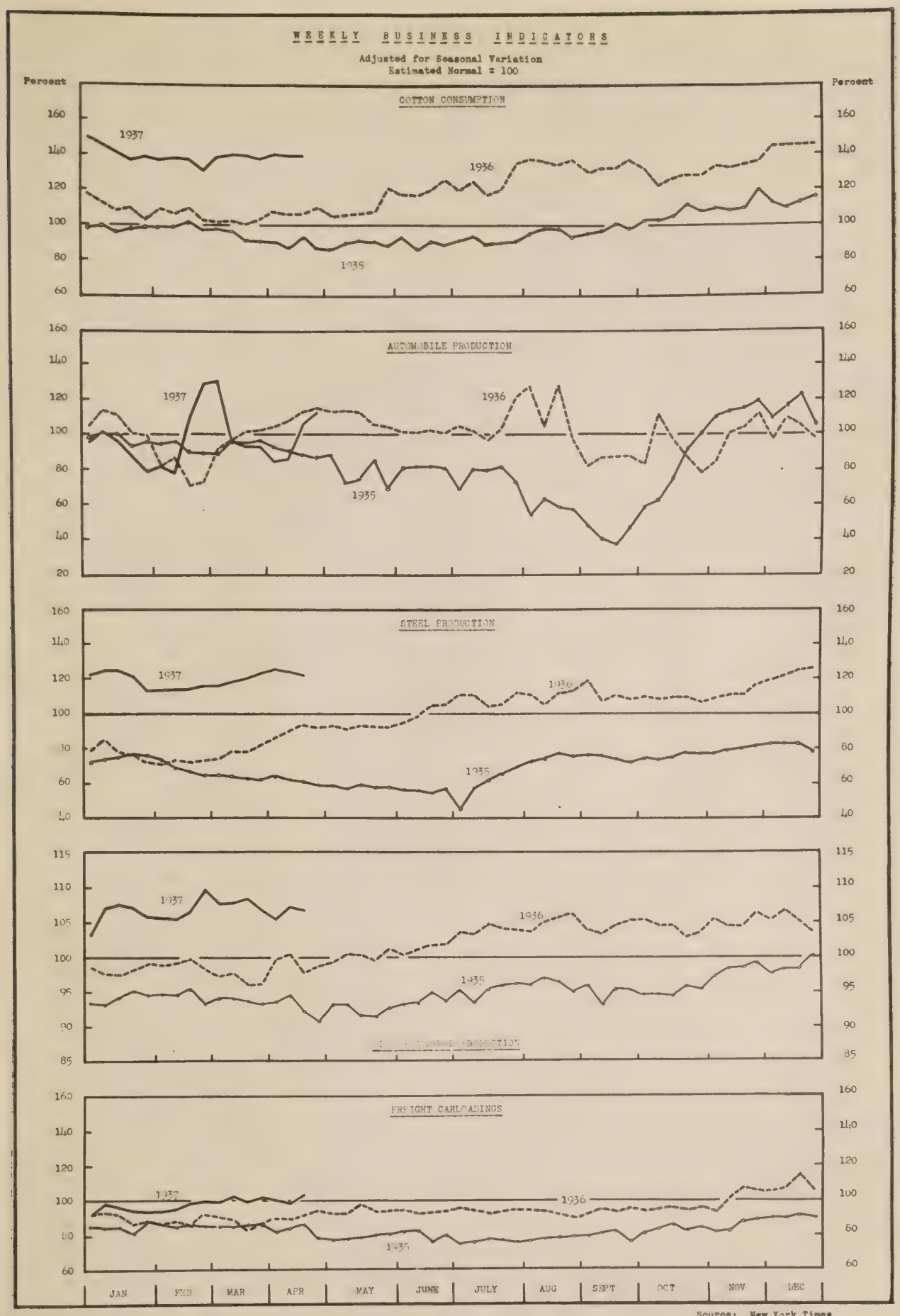
NATIONAL INCOME, EXCLUSIVE OF AGRICULTURAL AND FARM CASH INCOME, 1924 TO DATE
(Dollar figures seasonally corrected)



FARM INCOME AND FACTORY PAYROLLS SINCE JANUARY 1933

(First Quarter 1933=100)

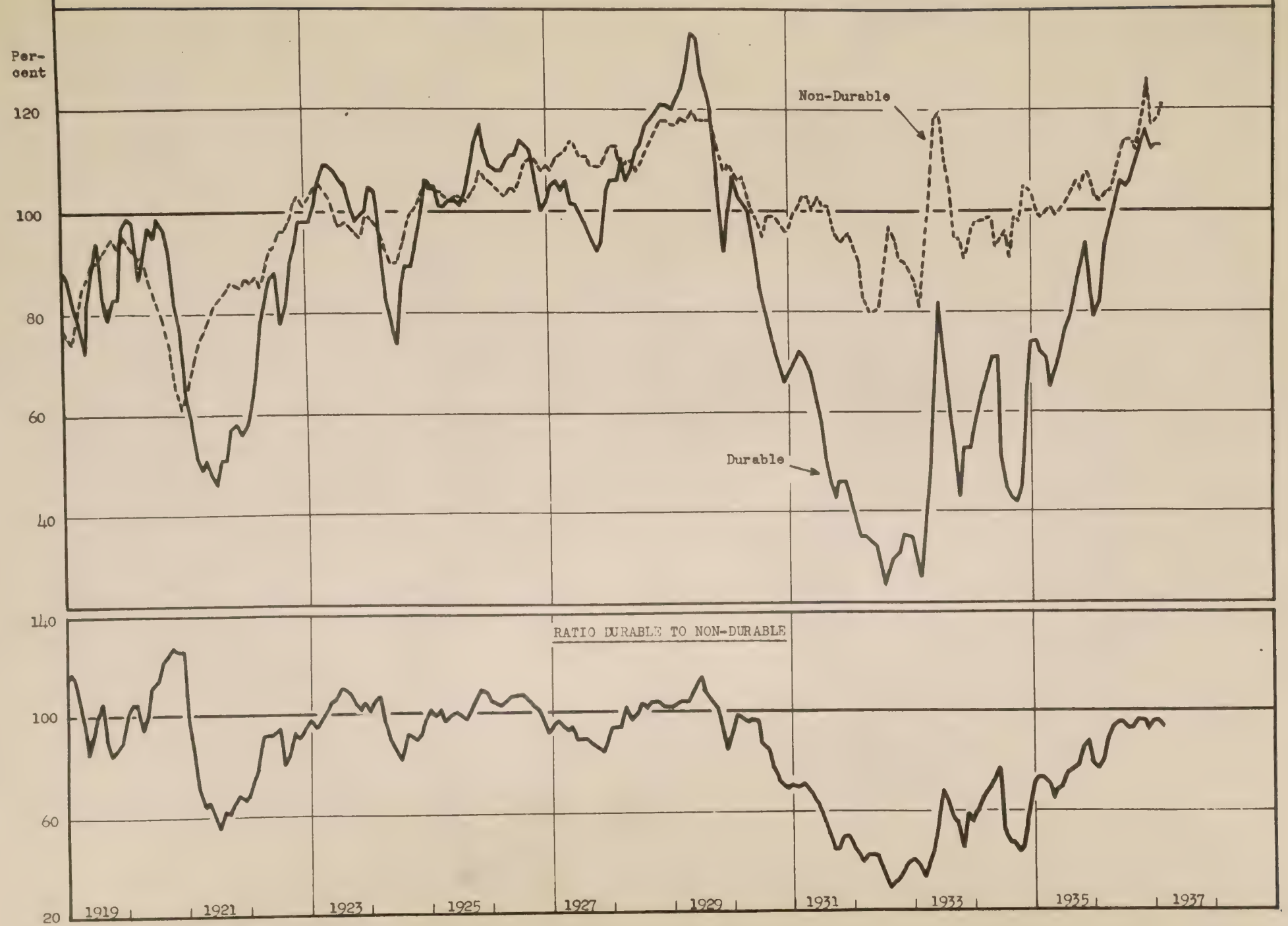




Source: New York Times

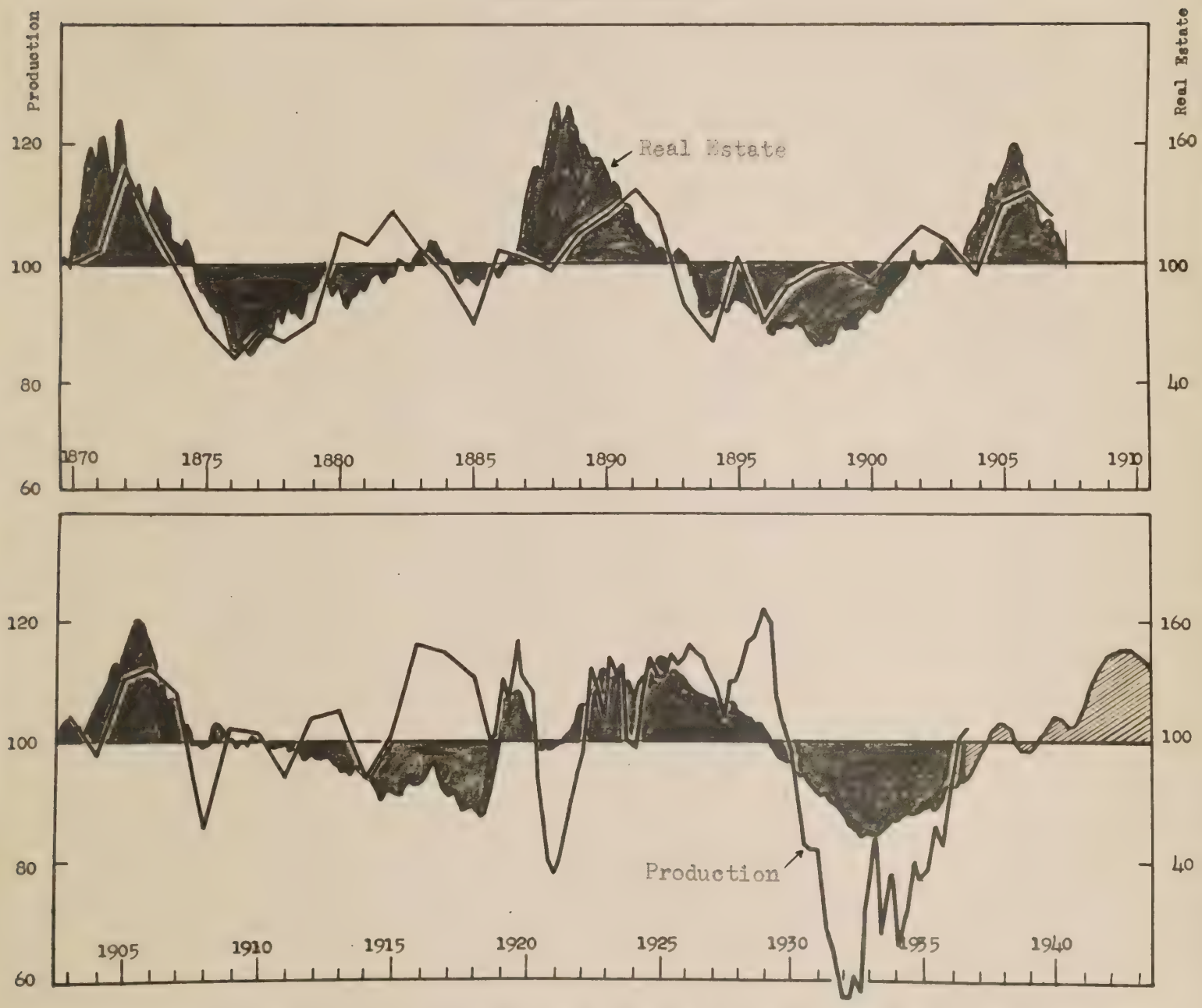
FACTORY PRODUCTION OF DURABLE AND NON-DURABLE GOODS, AND RATIO OF FORMER TO LATTER, 1919-37

Adjusted for Seasonal Variation (1923-25=100)

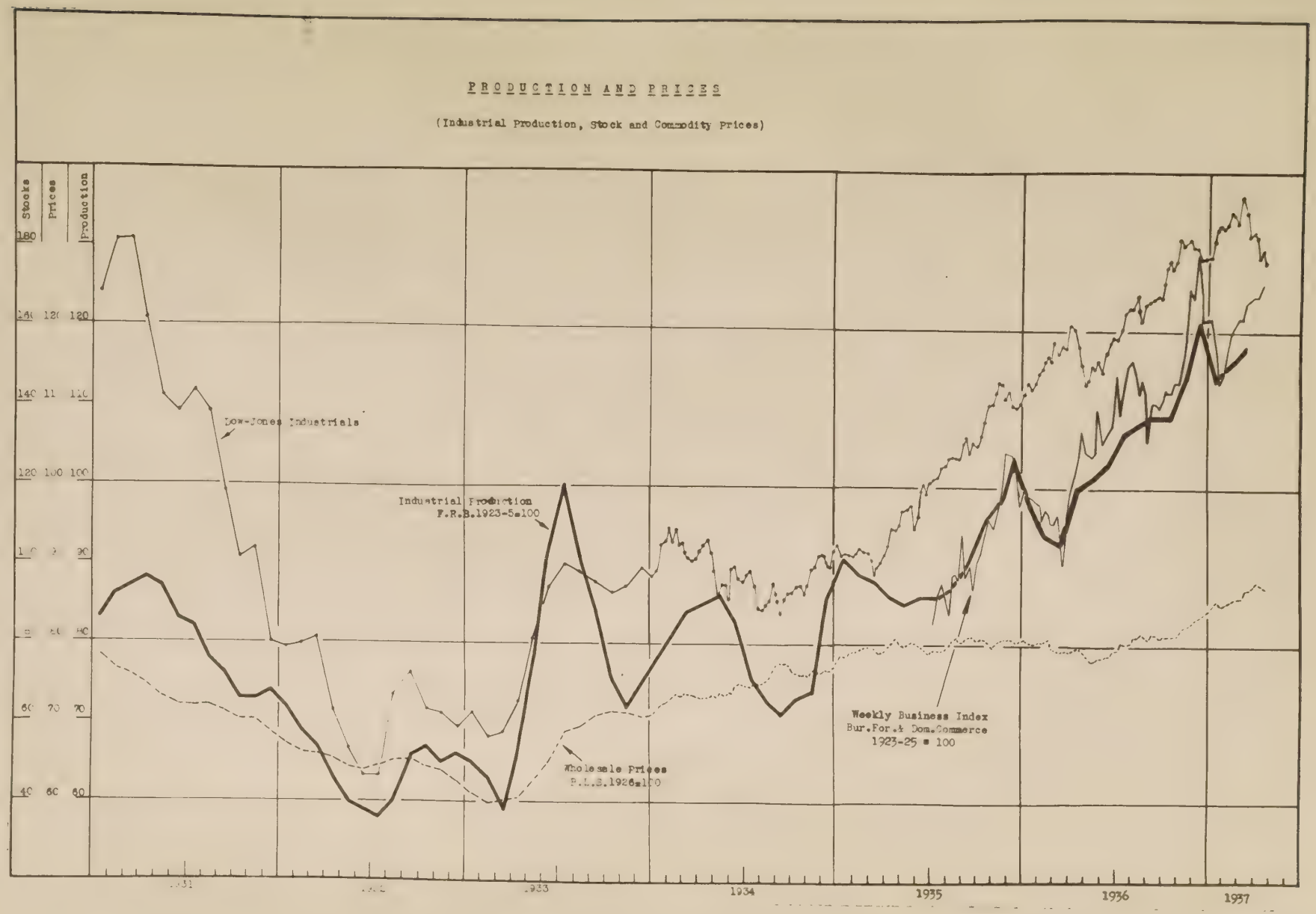


INDUSTRIAL PRODUCTION AND REAL ESTATE ACTIVITY 1870 TO DATE

(Index Numbers--Normal=100)

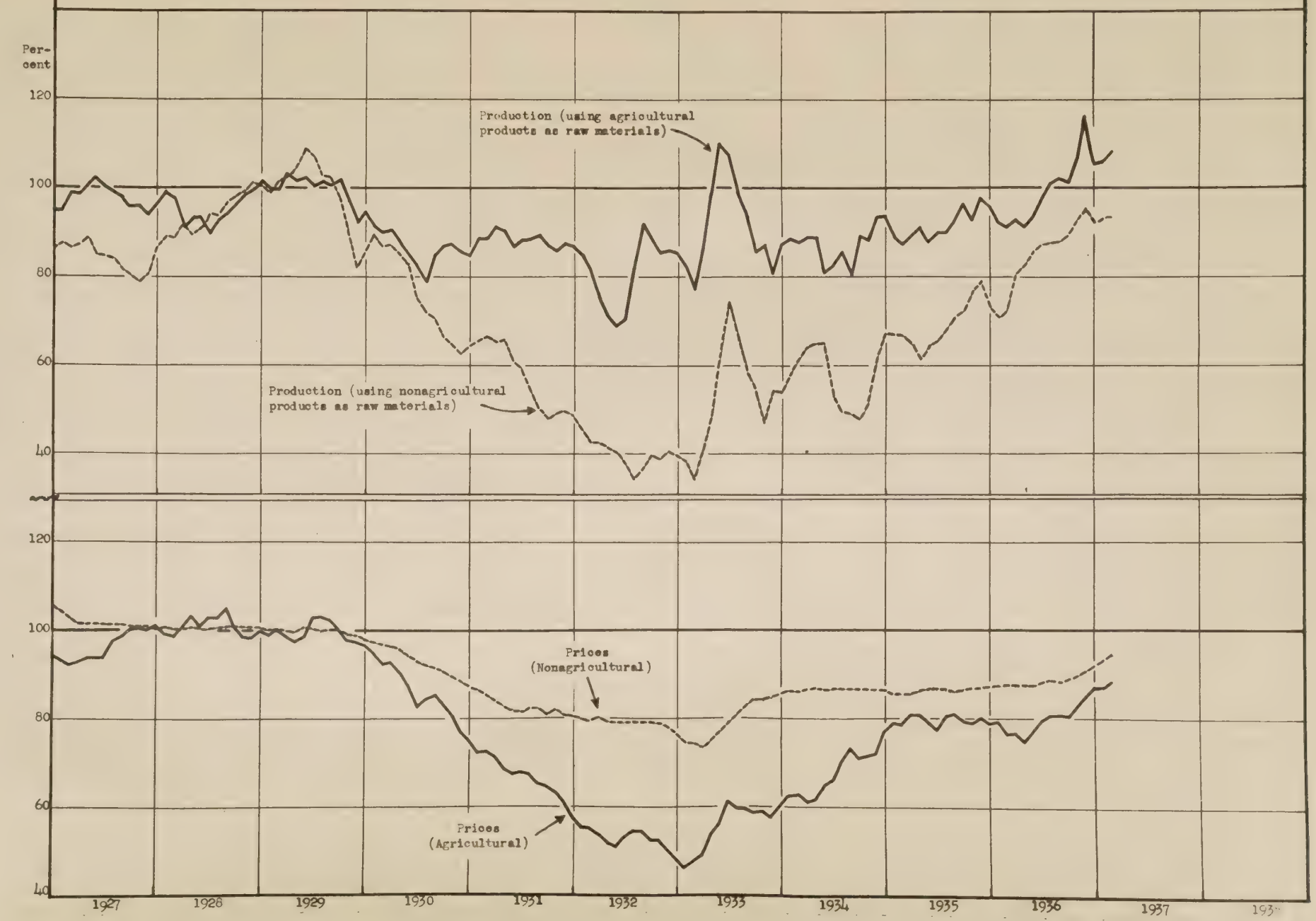


Sources: Real Estate Activity: Monthly indexes from the Real Estate Analyst. The indexes beyond early 1937 represent expectations on basis of previous cycles.
Industrial Production: Federal Reserve Board monthly indexes by quarters from 1919, adjusted for trend. Prior to 1919 based on Person's annual indexes of production of minerals and manufactures, adjusted for trend.


PRODUCTION AND PRICES
(Industrial Production, Stock and Commodity Prices)
Stocks
Prices
Production
180
160 120 120
140 110 110
120 100 100
90
80 80
60 70 70
40 60 60
Dow-Jones Industrials
Industrial Production
F.R.B.1923-5=100
Wholesale Prices
B.L.S.1926=100
Weekly Business Index
Bur.For.& Dom.Commerce
1923-25 = 100
1931
1932
1933
1934
1935
1936
1937

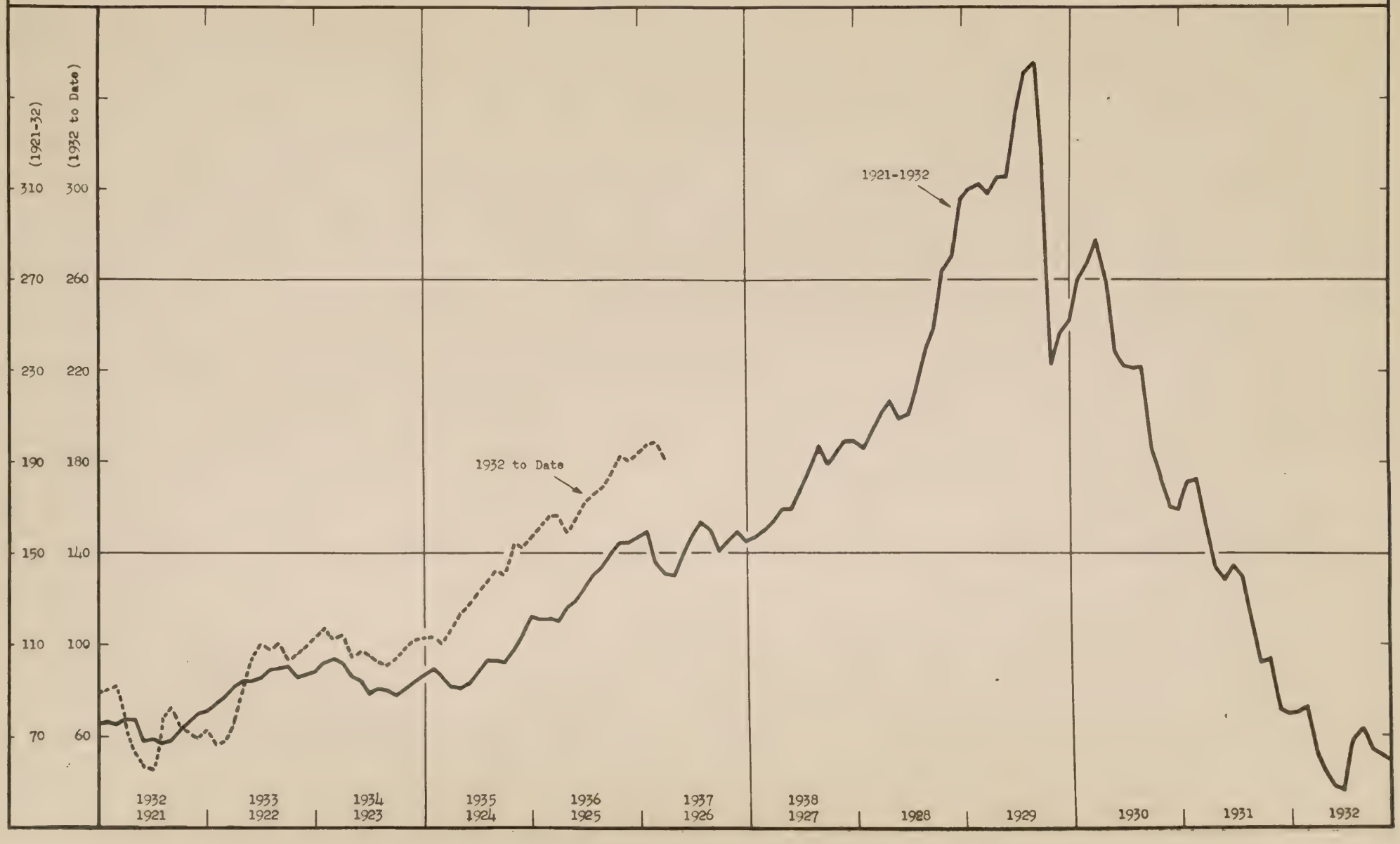
MANUFACTURING OUTPUT AND WHOLESALE PRICES

1929=100

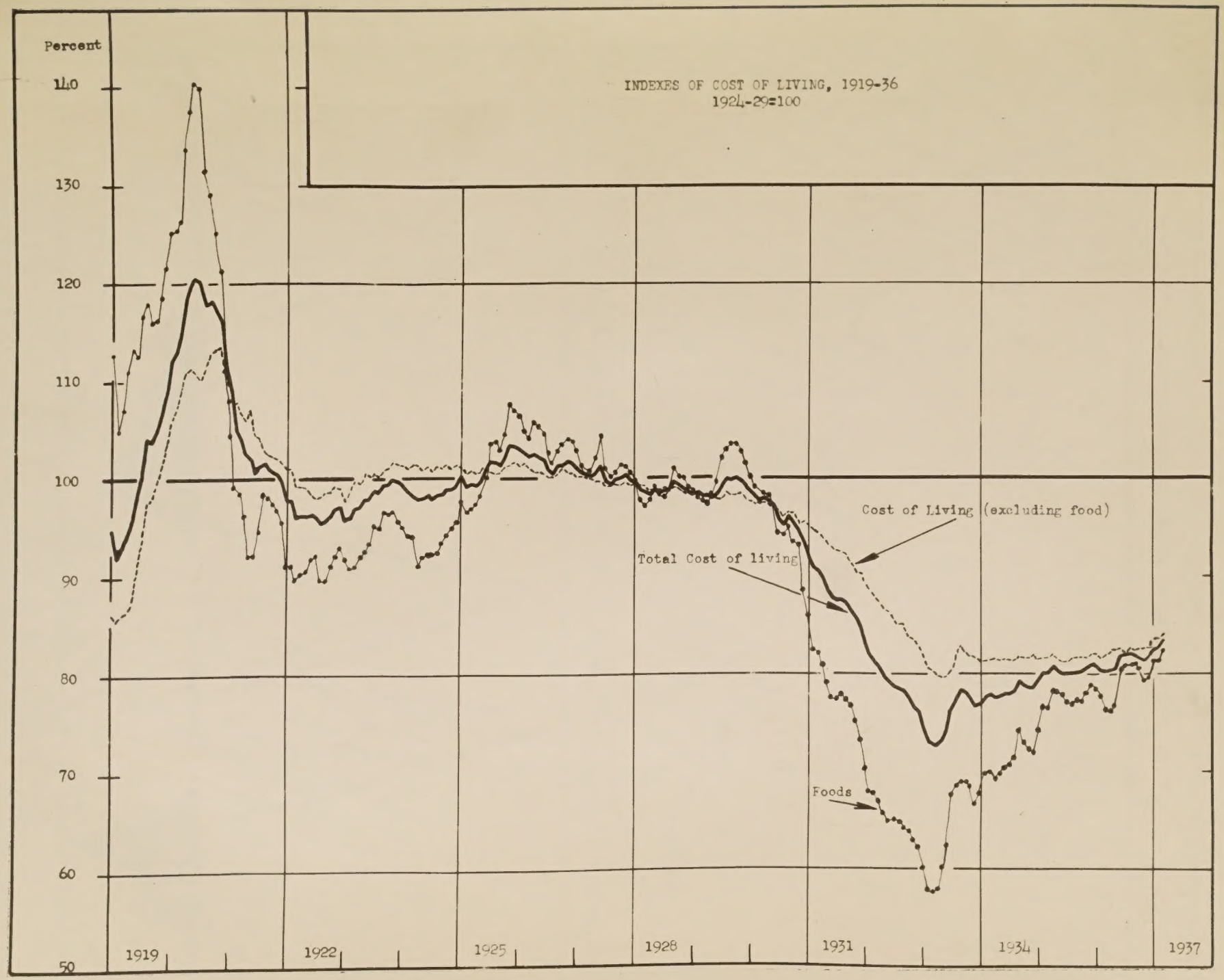


INDUSTRIAL STOCK PRICES 1921 TO DATE

(Dow Jones Averages - Dollars per Share)




WEEKLY WHOLESALE COMMODITY PRICES
1926 = 100
All Commodities
All Commodities Other than Farm and Food
Farm Products
90
70
60
40
1932
1933
1934
1935
1936
1937


INDEXES OF COST OF LIVING, 1919-36
1924-29=100
Percent
140
130
120
110
100
90
80
70
60
50
1919
1922
1925
1928
1931
1934
1937
Cost of Living (excluding food)
Total Cost of living
Foods

FREIGHT CAR SURPLUSES AND SHORTAGES, 1918-1923 AND 1932 TO DATE